

CITY OF MILFORD

**INDEPENDENT AUDITORS' REPORTS
PRIMARY GOVERNMENT
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2015

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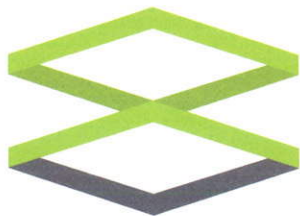
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CITY OF MILFORD
OFFICIALS

<u>NAME</u>	<u>TITLE</u> (Before January 2015)	<u>TERM EXPIRES</u>
Bill Reinsbach	Mayor	January 1, 2016
Rody Pederson	Mayor Pro-Tem	January 1, 2016
Don Olsen	Council Member	January 1, 2016
Mary Kay Rolling	Council Member	January 1, 2018
Jason Simpson	Council Member	January 1, 2018
John Walters	Council Member	January 1, 2018
LeAnn Houge	City Administrator (Effective September 2014)	Indefinite
Kristina Gigstad	Attorney	Indefinite

(After January 1, 2015)

Bill Reinsbach	Mayor	January 1, 2016
John Walters	Mayor Pro-Tem	January 1, 2018
Rody Peterson	Council Member	January 1, 2016
Don Olsen	Council Member	January 1, 2016
Mary Kay Rolling	Council Member	January 1, 2018
Jason Simpson	Council Member	January 1, 2018
LeAnn Houge	City Administrator/City Clerk	Indefinite
Harold Dawson	Attorney	Indefinite



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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Milford, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the City's legally separate component unit. Accounting principles for the basis of accounting described in Note 1 require financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements. Because the Milford Municipal Utilities reports in accordance with accounting principles generally accepted in the United States of America, a different reporting framework than the City's basis of accounting described in Note 1, the amounts by which this departure would affect the receipts, disbursements and cash balances of the aggregate discretely presented component unit have not been determined.

Adverse Opinion on Aggregate Discretely Presented Component Unit

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component unit of the City as of June 30, 2015, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Milford as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, City of Milford adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City's primary government. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements of the City's primary government for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 23 through 30, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2015 on our consideration of the City of Milford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Milford's internal control over financial reporting and compliance.

Wintner, Starn & Co., LLA

October 6, 2015
Milford, Iowa

BASIC FINANCIAL STATEMENTS

CITY OF MILFORD
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

		Program Receipts		
		Charges for	Operating	Capital
		Service	Grants and	Grants and
			Contributions	Contributions
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 689,673	\$ 16,604	\$156,458	
Public works	372,667	321	301,341	
Culture and recreation	453,251	1,978	24,245	
Community and economic development	167,986	16,436	133,782	
General government	410,618			
Debt service	1,833,004		94,000	
Capital projects	706,641			\$97,927
Total governmental activities	4,633,840	35,339	709,826	97,927
Business type activities:				
Solid waste	297,662	308,148		
Sewer	69,614	266,735		
Storm water	8,205	115,765		
Total business type activities	375,481	690,648		
TOTAL	\$5,009,321	\$725,987	\$709,826	\$97,927

GENERAL RECEIPTS AND TRANSFERS:

Property and other city taxes levied for:	
General purposes	
Local option sales tax	
Debt service	
Tax increment financing	
Unrestricted interest on investments	
Payments made from refund bond escrow ..	
Additions to refund bond escrow	
Miscellaneous	
Transfers	
Total general receipts and transfers	

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

CASH BASIS NET POSITION

Restricted, expendable:	
Urban renewal	
Streets	
Capital projects	
Debt service	
Other purposes	
Unrestricted	

TOTAL CASH BASIS NET POSITION

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (516,611)		\$ (516,611)
(71,005)		(71,005)
(427,028)		(427,028)
(17,768)		(17,768)
(410,618)		(410,618)
(1,739,004)		(1,739,004)
(608,714)		(608,714)
<u>(3,790,748)</u>		<u>(3,790,748)</u>
	\$ 10,486	10,486
	197,121	197,121
	<u>107,560</u>	<u>107,560</u>
	<u>315,167</u>	<u>315,167</u>
<u>(3,790,748)</u>	<u>315,167</u>	<u>(3,475,581)</u>
1,290,028		1,290,028
656,167		656,167
227,430		227,430
519,746		519,746
24,885	1,120	26,005
948,812		948,812
(14,123)		(14,123)
77,830	3,589	81,419
<u>303,531</u>	<u>(303,531)</u>	
<u>4,034,306</u>	<u>(298,822)</u>	<u>3,735,484</u>
243,558	16,345	259,903
<u>3,807,178</u>	<u>396,382</u>	<u>4,203,560</u>
<u>\$4,050,736</u>	<u>\$412,727</u>	<u>\$4,463,463</u>
\$ 43,514		\$ 43,514
192,181		192,181
1,265,422		1,265,422
233,924		233,924
516,912		516,912
<u>1,798,783</u>	<u>\$412,727</u>	<u>2,211,510</u>
<u>\$4,050,736</u>	<u>\$412,727</u>	<u>\$4,463,463</u>

See Notes to Financial Statements

CITY OF MILFORD
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

		Special Revenue	
	General	Urban Renewal Tax Increment	Road Use
RECEIPTS:			
Property tax	\$1,030,006		
Tax increment financing		\$428,006	
Other city tax	682,456		
Licenses and permits	21,580		
Use of money and property	36,710	264	\$ 322
Intergovernmental	171,659		301,341
Charges for service	13,759		
Miscellaneous	34,298		21,012
TOTAL RECEIPTS	<u>1,990,468</u>	<u>428,270</u>	<u>322,675</u>
DISBURSEMENTS:			
Operating:			
Public safety	689,673		
Public works	127,326		245,341
Culture and recreation	453,251		
Community and economic development	35,421		
General government	410,618		
Debt service			
Capital projects	81,019	111,142	
TOTAL DISBURSEMENTS	<u>1,797,308</u>	<u>111,142</u>	<u>245,341</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>193,160</u>	<u>317,128</u>	<u>77,334</u>
OTHER FINANCING SOURCES (USES):			
Payments made from refund bond escrow			
Additions to refund bond escrow			
Transfers in	227,834		
Transfers out	(168,000)	(435,737)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>59,834</u>	<u>(435,737)</u>	
CHANGE IN CASH BALANCES	252,994	(118,609)	77,334
CASH BALANCES BEGINNING OF YEAR	<u>1,545,789</u>	<u>162,123</u>	<u>114,847</u>
CASH BALANCES END OF YEAR	<u>\$1,798,783</u>	<u>\$ 43,514</u>	<u>\$192,181</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Urban renewal		\$ 43,514	
Streets			\$192,181
Capital projects			
Debt service			
Other purposes			
Assigned for other purposes	\$ 131,236		
Unassigned	<u>1,667,547</u>		
TOTAL CASH BASIS FUND BALANCES	<u>\$1,798,783</u>	<u>\$ 43,514</u>	<u>\$192,181</u>

Exhibit B

<u>Capital Projects</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
	\$ 227,430	\$233,733	\$1,491,169
		91,740	519,746
			682,456
			21,580
\$ 3,086	14,998	1,069	56,449
50,902	94,000	133,782	751,684
			13,759
<u>47,025</u>			<u>102,335</u>
<u>101,013</u>	<u>336,428</u>	<u>460,324</u>	<u>3,639,178</u>
			689,673
			372,667
			453,251
		132,565	167,986
			410,618
	1,833,004		1,833,004
<u>514,480</u>			<u>706,641</u>
<u>514,480</u>	<u>1,833,004</u>	<u>132,565</u>	<u>4,633,840</u>
<u>(413,467)</u>	<u>(1,496,576)</u>	<u>327,759</u>	<u>(994,662)</u>
	948,812		948,812
	(14,123)		(14,123)
368,000	539,268		1,135,102
		(227,834)	(831,571)
<u>368,000</u>	<u>1,473,957</u>	<u>(227,834)</u>	<u>1,238,220</u>
(45,467)	(22,619)	99,925	243,558
<u>1,310,889</u>	<u>256,543</u>	<u>416,987</u>	<u>3,807,178</u>
<u>\$1,265,422</u>	<u>\$ 233,924</u>	<u>\$516,912</u>	<u>\$4,050,736</u>
			\$ 43,514
			192,181
\$1,265,422			1,265,422
	\$ 233,924		233,924
		\$516,912	516,912
			131,236
			<u>1,667,547</u>
<u>\$1,265,422</u>	<u>\$ 233,924</u>	<u>\$516,912</u>	<u>\$4,050,736</u>

See Notes to Financial Statements

CITY OF MILFORD
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
 CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Solid Waste</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total</u>
OPERATING RECEIPTS:				
Charges for service	\$308,148	\$266,735	\$115,765	\$690,648
Use of money and property	318	330	472	1,120
Miscellaneous	3,589			3,589
TOTAL OPERATING RECEIPTS	<u>312,055</u>	<u>267,065</u>	<u>116,237</u>	<u>695,357</u>
OPERATING DISBURSEMENTS:				
Business type activities	<u>297,662</u>	<u>69,614</u>	<u>8,205</u>	<u>375,481</u>
TOTAL OPERATING DISBURSEMENTS	<u>297,662</u>	<u>69,614</u>	<u>8,205</u>	<u>375,481</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	14,393	197,451	108,032	319,876
TRANSFERS OUT		<u>(103,531)</u>	<u>(200,000)</u>	<u>(303,531)</u>
CHANGE IN CASH BALANCES	14,393	93,920	(91,968)	16,345
CASH BALANCES BEGINNING OF YEAR	<u>128,868</u>	<u>98,485</u>	<u>169,029</u>	<u>396,382</u>
CASH BALANCES END OF YEAR	<u>\$143,261</u>	<u>\$192,405</u>	<u>\$ 77,061</u>	<u>\$412,727</u>
CASH BASIS FUND BALANCES:				
Unrestricted	<u>\$143,261</u>	<u>192,405</u>	<u>\$ 77,061</u>	<u>\$412,727</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$143,261</u>	<u>\$192,405</u>	<u>\$ 77,061</u>	<u>\$412,727</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Milford, Iowa is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1892 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides solid waste, sewer, and storm water utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City's financial statements present the primary government of the City of Milford but do not include a component unit for which it is financially accountable. A primary government is a legal entity or body politic and includes all funds, organizations, agencies, boards, commissions and authorities that are not legally separate. A component unit is a legally separate entity for which the City is financially accountable.

The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. Since these financial statements do not include the City's component unit described below, they do not purport to be prepared in accordance with accounting principles generally accepted in the United States of America as they relate to the exclusion of the component unit.

Milford Municipal Utilities is considered a component unit of the City of Milford. The financial statements of this component unit are audited separately and are presented on the accrual basis of accounting. Complete financial statements of Milford Municipal Utilities can be obtained from their administrative offices.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dickinson County Assessor's Conference Board, Upper Des Moines Opportunity Board, Dickinson County Emergency Management Commission, Dickinson County Water Quality Commission, Dickinson County Joint E911 Service Board, and Dickinson County Sanitary Landfill Commission.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the primary government of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in two categories:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Road Use Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Capital Projects Fund accounts for bond proceeds and other resources to be used for acquisition and construction of major capital facilities.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general obligation long-term debt.

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City reports the following major proprietary funds:

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste utility.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Storm Water Fund accounts for the operation and maintenance of the City's storm water system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

F. Use of Estimates

The preparation of financial statements in conformity with an other comprehensive basis of accounting requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Management's Review

Management of the City has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

2. CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

3. BONDS PAYABLE

Annual debt service requirements to maturity for general obligation bonds and a sewer revenue bond are as follows:

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

3. BONDS PAYABLE - Continued

Year Ending June 30,	General Obligation Bonds		Sewer Revenue Bond		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 425,000	\$ 156,221	\$ 55,000	51,532	\$ 480,000	\$ 207,753
2017	430,000	149,064	55,000	49,881	485,000	198,945
2018	450,000	140,696	55,000	48,231	505,000	188,927
2019	615,000	131,244	-	46,513	615,000	177,757
2020	620,000	119,706	-	44,112	620,000	163,818
2021-2025	1,740,000	434,860	250,000	180,388	1,990,000	615,248
2026-2030	1,560,000	169,000	295,000	91,300	1,855,000	260,300
2031	25,000	1,125	450,000	5,000	475,000	6,125
Totals	<u>\$5,865,000</u>	<u>\$1,301,916</u>	<u>\$1,160,000</u>	<u>\$516,957</u>	<u>\$7,025,000</u>	<u>\$1,818,873</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

Revenue Bond

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,350,000 in sewer revenue bonds issued in June 2011. Proceeds from the bonds provided financing for the construction of sewer line improvements and extensions. The bonds are payable from sewer customer net receipts and are payable through 2031. Annual principal and interest payments on the bonds are expected to require less than 80% of net receipts. The total principal and interest remaining to be paid is \$1,676,957. For the current year, principal and interest paid and total customer net receipts were \$103,031 and \$197,451 respectively.

The resolution providing for the issuance of the revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the sewer utility and the bond holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate sewer revenue sinking fund account for the purpose of making the bond principal and interest payments when due. At June 30, 2015, a sinking fund balance of \$12,647 was maintained in the Debt Service Fund.
- c) A reserve fund shall be established and maintained at a minimum required amount. The balance in the reserve fund shall be used and is pledged for payment of the principal and interest if there are insufficient funds in the sinking fund. At June 30, 2015, a reserve fund balance of \$107,844 was maintained in the Debt Service Fund.

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

4. PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2015

4. PENSION PLAN - Continued

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protection occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.90 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$73,256.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$233,627. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.005891 percent, which was a decrease of 0.002028 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$28,345, \$16,438 and \$184,127 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2015

4. PENSION PLAN - Continued

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS - Continued
YEAR ENDED JUNE 30, 2015

4. PENSION PLAN - Continued

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$633,495	\$233,627	\$(103,706)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

5. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 13 active and no retired members in the plan. Retired participants must be age 55 or older at retirement. Benefits terminate upon attaining Medicare eligibility.

The medical/prescription drug benefits are provided through a fully-insured plan with Central States Southeast and Southwest. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees. The cost of retiree coverage is offset by the retiree contributions.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$1,142 for both single and family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City made no contributions to the retiree benefit plan.

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

6. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave and compensatory time payments payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$35,500
Sick leave	49,900
Compensatory time	<u>7,800</u>
Total	<u>\$93,200</u>

The liability has been computed based on rates of pay in effect at June 30, 2015.

7. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Employee Benefits	<u>\$ 227,834</u>
Capital Projects	General	168,000
	Enterprise: Storm Water	<u>200,000</u>
		<u>368,000</u>
Debt Service	Special Revenue: Urban Renewal Tax Increment	435,737
	Enterprise: Sewer	<u>103,531</u>
Total to Debt Service		<u>539,268</u>
Total		<u>\$1,135,102</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

8. LOCAL GOVERNMENT RISK POOL

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were \$76,553.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

8. LOCAL GOVERNMENT RISK POOL - Continued

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. LITIGATION

The City is party to routine legal proceedings and litigation arising in the normal course of governmental operations. These legal proceedings are not expected to have a material adverse impact on the City's financial condition.

CITY OF MILFORD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

10. COMMITMENTS

The City has entered into various developer agreements related to anticipated improvements in tax increment financing (TIF) districts. Developer agreement payments during the year ended June 30, 2015 totaling \$235,614 were made from the Debt Service Fund. Remaining commitments at June 30, 2015 related to the developer agreements were approximately \$2,700,000, consisting of approximately \$2,200,000 and \$500,000 for payments to developers and support of low to moderate income housing, respectively. Funding for the commitments will be obtained from TIF collections in the respective TIF districts.

Additionally, the City has committed to a construction contract totaling \$1,272,249. As of June 30, 2015, no costs have been incurred on the project. The balance will be paid as work on the project progresses. The City intends to pay for this project from proceeds of a Community Development Block Grant totaling \$600,000, a reimbursement from Milford Municipal Utilities of up to \$200,275 and from existing funds held in the Capital Projects Fund.

OTHER INFORMATION

CITY OF MILFORD
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
OTHER INFORMATION (UNAUDITED)
YEAR ENDED JUNE 30, 2015

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds not Required to <u>be Budgeted</u>
RECEIPTS:			
Property tax	\$1,491,169		
Tax increment financing	519,746		
Other city tax	682,456		
Licenses and permits	21,580		
Use of money and property	56,449	\$ 1,120	\$ 14,123
Intergovernmental	751,684		
Charges for service	13,759	690,648	
Miscellaneous	102,335	3,589	
TOTAL RECEIPTS	<u>3,639,178</u>	<u>695,357</u>	<u>14,123</u>
DISBURSEMENTS:			
Public safety	689,673		
Public works	372,667		
Health and social services			
Culture and recreation	453,251		
Community and economic development	167,986		
General government	410,618		
Debt service	1,833,004		948,812
Capital projects	706,641		
Business type activities		375,481	
TOTAL DISBURSEMENTS	<u>4,633,840</u>	<u>375,481</u>	<u>948,812</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(994,662)	319,876	(934,689)
OTHER FINANCING SOURCES (USES), NET	<u>1,238,220</u>	<u>(303,531)</u>	<u>934,689</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	243,558	16,345	<u>\$ 0</u>
BALANCES BEGINNING OF YEAR	<u>3,807,178</u>	<u>396,382</u>	
BALANCES END OF YEAR	<u>\$4,050,736</u>	<u>\$412,727</u>	

<u>Total</u>	<u>Budgeted Amounts</u>		Final to Total Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>	
\$1,491,169	\$1,448,786	\$1,448,786	\$ 42,383
519,746	531,851	531,851	(12,105)
682,456	585,135	585,135	97,321
21,580	19,530	19,530	2,050
43,446	33,985	33,985	9,461
751,684	863,324	863,324	(111,640)
704,407	668,939	668,939	35,468
105,924	44,006	44,006	61,918
<u>4,320,412</u>	<u>4,195,556</u>	<u>4,195,556</u>	<u>124,856</u>
689,673	722,024	722,024	32,351
372,667	429,632	459,632	86,965
	4,900	4,900	4,900
453,251	523,224	523,224	69,973
167,986	245,504	245,504	77,518
410,618	374,362	433,362	22,744
884,192	894,341	894,341	10,149
706,641	1,112,500	1,172,500	465,859
375,481	455,105	455,105	79,624
<u>4,060,509</u>	<u>4,761,592</u>	<u>4,910,592</u>	<u>850,083</u>
259,903	(566,036)	(715,036)	974,939
259,903	(566,036)	(715,036)	974,939
<u>4,203,560</u>	<u>3,995,061</u>	<u>3,995,061</u>	<u>208,499</u>
<u>\$4,463,463</u>	<u>\$3,429,025</u>	<u>\$3,280,025</u>	<u>\$1,183,438</u>

CITY OF MILFORD
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING
JUNE 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$149,000. The budget amendment is reflected in the final budgeted amounts.

CITY OF MILFORD
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FISCAL YEAR*
(IN THOUSANDS)
OTHER INFORMATION (UNAUDITED)

	<u>2015</u>
City's proportion of the net pension liability	0.005891%
City's proportionate share of the net pension liability	\$234
City's covered-employee payroll	\$760
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	30.79%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF MILFORD
SCHEDULE OF CITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST 10 FISCAL YEARS
(IN THOUSANDS)
OTHER INFORMATION (UNAUDITED)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$73	\$71	\$67	\$62
Contributions in relation to the statutorily required contribution	<u>(73)</u>	<u>(71)</u>	<u>(67)</u>	<u>(62)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$780	\$760	\$729	\$708
Contributions as a percentage of covered-employee payroll	9.39%	9.36%	9.22%	8.70%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 58	\$ 52	\$ 46	\$ 42	\$ 42	\$ 40
<u>(58)</u>	<u>(52)</u>	<u>(46)</u>	<u>(42)</u>	<u>(42)</u>	<u>(40)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$728	\$696	\$658	\$621	\$621	\$577
7.92%	7.49%	7.01%	6.80%	6.81%	6.83%

CITY OF MILFORD
NOTES TO OTHER INFORMATION - PENSION LIABILITY (UNAUDITED)
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

CITY OF MILFORD
NOTES TO OTHER INFORMATION - PENSION LIABILITY (UNAUDITED) - Continued
YEAR ENDED JUNE 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

SUPPLEMENTARY INFORMATION

CITY OF MILFORD
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 AS OF AND FOR YEAR ENDED JUNE 30, 2015

	Special Revenue		
	Employee Benefits	LMI Housing Fund	Total
RECEIPTS:			
Property tax	\$233,733		\$233,733
Tax increment financing		\$ 91,740	91,740
Use of money and property		1,069	1,069
Intergovernmental		133,782	133,782
TOTAL RECEIPTS	<u>233,733</u>	<u>226,591</u>	<u>460,324</u>
DISBURSEMENTS:			
Community and economic development ...		132,565	132,565
TOTAL DISBURSEMENTS		<u>132,565</u>	<u>132,565</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>233,733</u>	<u>94,026</u>	<u>327,759</u>
OTHER FINANCING USES:			
Operating transfers out	<u>(227,834)</u>		<u>(227,834)</u>
CHANGE IN CASH BALANCES	5,899	94,026	99,925
CASH BALANCES BEGINNING OF YEAR	<u>15,387</u>	<u>401,600</u>	<u>416,987</u>
CASH BALANCES END OF YEAR	<u>\$ 21,286</u>	<u>\$495,626</u>	<u>\$516,912</u>
CASH BASIS FUND BALANCES:			
Restricted for other purposes	<u>\$ 21,286</u>	<u>\$495,626</u>	<u>\$516,912</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 21,286</u>	<u>\$495,626</u>	<u>\$516,912</u>

CITY OF MILFORD
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2015

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds:			
Fire station construction	June 1, 2009	2.50% - 4.75%	\$2,630,000
Street improvements	September 1, 2009	3.00% - 3.60%	1,700,000
Street improvements	May 1, 2010	3.00% - 4.00%	550,000
Storm sewer improvements	July 1, 2011	2.50% - 4.50%	325,000
Street improvements	August 1, 2012	0.70% - 2.40%	560,000
Refunding bonds	April 29, 2013	0.50% - 2.50%	2,750,000
Total			
Revenue bond:			
Sewer improvements	June 1, 2011	3.00% - 5.00%	1,350,000

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
\$2,125,000		\$ 105,000	\$2,020,000	\$ 89,311
1,075,000		1,075,000		34,622
410,000		50,000	360,000	13,887
295,000		10,000	285,000	11,300
505,000		55,000	450,000	8,325
<u>2,750,000</u>	<u> </u>	<u> </u>	<u>2,750,000</u>	<u>38,812</u>
<u>\$7,160,000</u>	<u> </u>	<u>\$1,295,000</u>	<u>\$5,865,000</u>	<u>\$196,257</u>
 <u>\$1,210,000</u>	 <u> </u>	 <u>\$ 50,000</u>	 <u>\$1,160,000</u>	 <u>\$ 53,031</u>

CITY OF MILFORD
BOND MATURITIES
JUNE 30, 2015

Year Ending June 30,	General Obligation Bonds					
	Fire Station Construction		Street Improvements		Storm Sewer Improvements	
	Issued June 1, 2009		Issued May 1, 2010		Issued July 1, 2011	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2016	3.250%	\$ 110,000	3.00%	\$ 55,000	2.50%	\$ 15,000
2017	4.000	115,000	3.00	55,000	2.50	15,000
2018	4.000	120,000	3.25	60,000	2.50	15,000
2019	4.000	125,000	3.50	60,000	2.50	15,000
2020	4.000	125,000	3.75	65,000	4.00	15,000
2021			4.00	65,000	4.00	15,000
2022	4.000	275,000			4.00	15,000
2023					4.00	15,000
2024	4.150	295,000			4.00	15,000
2025					4.00	20,000
2026	4.500	320,000			4.00	20,000
2027					4.50	20,000
2028					4.50	20,000
2029	4.750	535,000			4.50	20,000
2030					4.50	25,000
2031					4.50	25,000
Total		<u>\$2,020,000</u>		<u>\$360,000</u>		<u>\$285,000</u>

* The City of Milford reserves the right to optionally prepay part or all of the principal of the bonds maturing in the years 2022 to 2031

Schedule 3

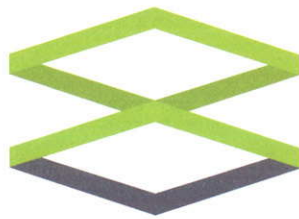
General Obligation Bonds				Revenue Bonds		
Street Improvements		Refunding Bonds		Sewer Improvements		
Issued August 1, 2012		Issued April 29, 2013		Issued June 1, 2011		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
1.1%	\$ 55,000	0.50%	\$ 190,000	3.000%	\$ 55,000	\$ 480,000
1.1	55,000	0.60	190,000	3.000	55,000	485,000
1.5	55,000	0.75	200,000	3.125	55,000	505,000
1.5	55,000	0.90	360,000		*	615,000
1.2	55,000	1.10	360,000		*	620,000
1.2	55,000	1.30	165,000		*	300,000
2.4	60,000	1.50	165,000	4.000	250,000	765,000
2.4	60,000	1.70	170,000		*	245,000
		1.80	175,000		*	485,000
		2.00	175,000		*	195,000
		2.10	175,000	4.750	295,000	810,000
		2.25	175,000		*	195,000
		2.50	150,000		*	170,000
		2.50	100,000		*	655,000
					*	25,000
				5.000	450,000	475,000
	<u>\$450,000</u>		<u>\$2,750,000</u>		<u>\$1,160,000</u>	<u>\$7,025,000</u>

CITY OF MILFORD
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
RECEIPTS:				
Property tax	\$1,491,169	\$1,393,464	\$1,375,011	\$1,538,810
Tax increment financing	519,746	480,140	464,601	281,110
Other city tax	682,456	553,649	556,430	488,393
Licenses and permits	21,580	30,141	36,144	37,732
Use of money and property	56,449	54,474	39,505	42,158
Intergovernmental	751,684	591,402	515,149	513,218
Charges for service	13,759	15,529	7,008	13,233
Miscellaneous	<u>102,335</u>	<u>36,146</u>	<u>83,749</u>	<u>89,336</u>
TOTAL	<u>\$3,639,178</u>	<u>\$3,154,945</u>	<u>\$3,077,597</u>	<u>\$3,003,990</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$ 689,673	\$ 627,217	\$ 638,859	\$ 647,285
Public works	372,667	414,397	322,293	350,680
Health and social services		6,400	6,400	5,000
Culture and recreation	453,251	415,402	436,565	430,698
Community and economic development	167,986	290,772	36,624	36,052
General government	410,618	342,104	345,749	349,628
Debt service	1,833,004	702,675	770,670	585,673
Capital projects	<u>706,641</u>	<u>574,002</u>	<u>540,873</u>	<u>1,861,847</u>
TOTAL	<u>\$4,633,840</u>	<u>\$3,372,969</u>	<u>\$3,098,033</u>	<u>\$4,266,863</u>

Schedule 4

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$1,491,754	\$1,360,705	\$1,243,888	\$1,012,195	\$ 854,348	\$ 742,912
225,493			6,506	439,576	587,556
413,818	364,434	403,048	397,976	452,801	375,046
29,632	28,047	34,684	40,039	35,620	54,283
43,611	23,202	26,436	82,748	122,466	79,898
824,678	470,113	338,920	288,998	297,225	290,803
5,598	4,969	5,114	4,831	41,218	75,373
<u>121,126</u>	<u>87,404</u>	<u>73,829</u>	<u>77,168</u>	<u>57,989</u>	<u>80,549</u>
<u>\$3,155,710</u>	<u>\$2,338,874</u>	<u>\$2,125,919</u>	<u>\$1,910,461</u>	<u>\$2,301,243</u>	<u>\$2,286,420</u>
\$ 529,585	\$ 505,149	\$1,280,653	\$ 451,851	\$ 439,550	\$ 354,577
357,137	370,621	338,493	265,510	405,658	407,159
5,000	5,000	1,000	1,000	2,000	2,100
450,522	370,900	464,420	360,011	315,669	286,487
30,614	26,426	29,458	29,218	38,422	71,418
350,141	344,955	303,251	285,685	296,173	317,285
424,579	369,947	107,879	98,788	134,562	159,643
<u>1,141,402</u>	<u>3,501,427</u>	<u>538,593</u>	<u>524,647</u>	<u>730,810</u>	<u>45,126</u>
<u>\$3,288,980</u>	<u>\$5,494,425</u>	<u>\$3,063,747</u>	<u>\$2,016,710</u>	<u>\$2,362,844</u>	<u>\$1,643,795</u>



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**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Members of the City Council:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Milford, Iowa as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the basic financial statements of the City's primary government, and have issued our report thereon dated October 6, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Milford's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Milford's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Milford's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable

possibility a material misstatement of City of Milford's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-15 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the primary government of the City of Milford are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the primary government of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Milford's Responses to Findings

City of Milford's responses to findings identified in our audit are described in the accompanying Schedule of Findings. City of Milford responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Milford during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Winkler, Stare & Co., LLP

CITY OF MILFORD
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

Part I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCY:

I-A-15 Segregation of Duties - One important aspect of internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted employees were performing incompatible functions.

Recommendation - We realize that it is difficult to appropriately segregate duties when the number of employees is limited. Therefore, we recommend the Council maintain its diligence in the review of the financial records.

Response - We will continue our review.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF MILFORD
SCHEDULE OF FINDINGS - Continued
YEAR ENDED JUNE 30, 2015

Part II: Other Findings Related to Required Statutory Reporting

II-A-15 Certified Budget - Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted.

II-B-15 Questionable Disbursements - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-15 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

II-D-15 Business Transactions - No business transactions between the City and City officials or employees were noted.

II-E-15 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-F-15 Council Minutes - We noted one interfund transfer that was not approved in the minutes of City Council.

Recommendation - The City should review procedures to ensure that all interfund transfers are approved by City Council.

Response - We will revise procedures to ensure all interfund transfers are approved.

Conclusion - Response accepted.

II-G-15 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-15 Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amount stated in the resolution was exceeded for one financial institution during the year ended June 30, 2015.

Recommendation - We recommend amounts deposited in financial institutions be regularly reviewed for compliance with the depository resolution.

Response - We will revise the depository resolution accordingly.

Conclusion - Response accepted.

CITY OF MILFORD
SCHEDULE OF FINDINGS - Continued
YEAR ENDED JUNE 30, 2015

Part II: Other Findings Related to Required Statutory Reporting - Continued

- II-I-15 Revenue Bond - No instances of noncompliance with the revenue bond and note resolutions were noted.
- II-J-15 Tax Increment Financing (TIF) - Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.

We noted the following regarding the City's procedures for recording TIF receipts and disbursements:

- Currently, certain TIF revenues related to low and moderate income (LMI) allocations are recorded directly into a separate LMI fund established for expending LMI assistance. We recommend all TIF revenues be recorded in the Urban Renewal Tax Increment (URTI) fund, with a transfer made to the LMI Housing fund for applicable LMI allocations.
- Currently, transfers are made from the URTI fund to the Debt Service fund for developer rebate agreements paid from the Debt Service fund. We recommend the developer rebate payments be made directly from the URTI fund.
- Currently certain capital project expenditures for urban renewal purposes are paid directly from the URTI fund. We recommend such expenditures be paid from the Capital Projects fund. Typically payments from the URTI fund should be made only for TIF indebtedness payments.
- During the year ended June 30, 2015, a capital project expenditure certified as debt and approved as an interfund loan was paid directly from the URTI fund without first being transferred to another fund as repayment of the interfund loan since a transfer representing the approved interfund loan had not been previously made to the URTI fund. Typically, an interfund loan is established by making a transfer between funds. We recommend a transfer to the URTI fund be made for approved interfund loans, then a transfer of funds from the URTI fund to repay the lender fund take place prior to payment of such expenditures.

Recommendation - The City should consider modification to its procedures of recording TIF receipts and disbursements to reflect activity in a more consistent manner.

Response - The City will consider revising procedures to record TIF activity in a more consistent manner.

Conclusion - Response accepted.

CITY OF MILFORD
SCHEDULE OF FINDINGS - Continued
YEAR ENDED JUNE 30, 2015

Part II: Other Findings Related to Required Statutory Reporting - Continued

II-K-15 Annual Urban Renewal Report - The FY2014 annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1.

II-L-15 Urban Renewal Tax Reconciliation - We were unable to obtain an Urban Renewal tax reconciliation from the County.

Recommendation - Since the County has not prepared the reconciliation the City should continue to monitor their TIF obligations.

Response - We will monitor our TIF obligations and notify the County about preparing a reconciliation.

Conclusion - Response accepted.